

2015-16 audit findings and future developments

One Voice Wales
5 July 2017

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Agenda

- 2015-16 key findings
 - Overall
 - Larger councils
- External audit
 - What is it and who does it?
 - What do 2015-16 findings tell us?
- How can councils develop for the future?

Key Facts

Income 2015-16
£1,000 million
Expenditure 2015-16
£883 million
Reserves 2015-16
£10.6 million
Council tax
ASAs
precepts
£200 million



External audit

Public Audit (Wales) Act
2004

Section 13 – councils must
make up their accounts to 31
march each year and submit
them to the Auditor General
for wales

The Auditor General must
audit the accounts



Role of external auditor



Auditor
General for
Wales

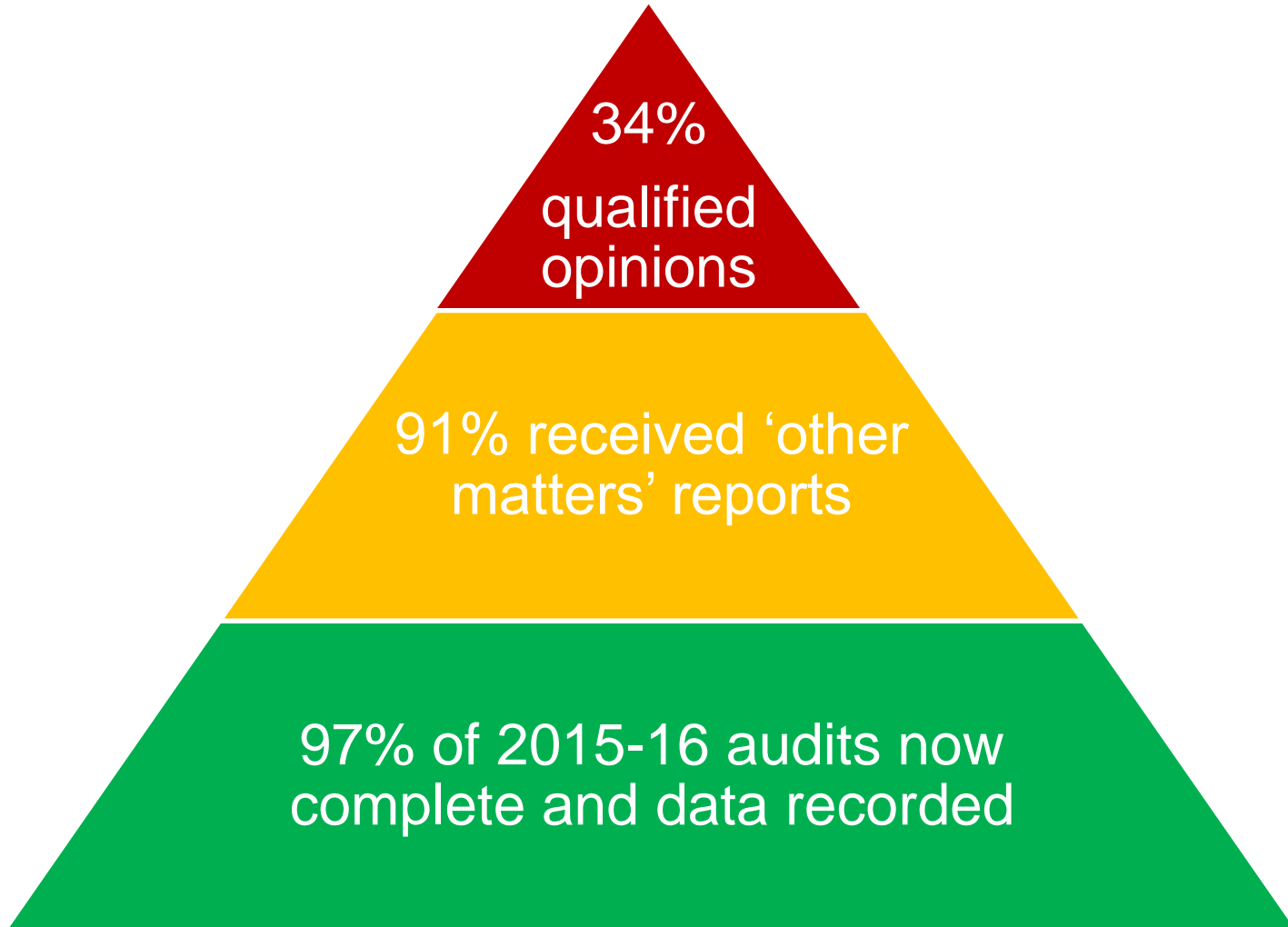
Assistant
AGW



External audit

- Annual return
 - Single form of audit
 - Review of accounts
 - Review of annual governance statements including themed governance review (Part 2)
- Electors' questions and objections

Audit outcomes



Key Facts

269 councils did not
set budget as
required by Local
Government Finance
Act 1992



AGS – what do auditors want to know?

Review of the Governance Statement fits in with the AGW's responsibilities under section 17 of the 2004 Act

Auditors want to see evidence that the council has appropriate arrangements in place

Themes are set out in the AGW's annual report before the start of each financial year

AGS – what do auditors want to know?

Generally, questions will focus on areas where the council has a specific statutory responsibility to make arrangements.

In some cases, eg the internal audit terms of engagement, the questions will focus on an aspect of how the council meets its statutory responsibilities

Governance themes

2015-16

Budget setting & monitoring

- Did the council set the budget as required by law ?
- Has the council monitored progress against budget?
- Evidence required – budget and minutes

Internal audit

- has the council properly engaged internal audit
- Evidence required – terms of engagement, minutes confirming appointment

2016-17 onwards

Arrangements for making payments

Adequacy of minutes and agendas

Payroll

Code of Conduct & interests

Delegated authorities

Standard of internal audit work

Different themes each year

2/3 issues examined

Aim to support improvement over time

Budget setting and monitoring

Required to calculate budget requirement by
Local Government Finance Act 1992

Budget monitoring – essential part of internal
control and managing finances as required by
Accounts and Audit (Wales) Regulations

Budget monitoring

Extent of detail will vary by council:

- All councils should report income and expenditure against their original plans and consider variances
- Monthly detailed reports for largest councils?
- Quarterly reports for smaller councils?
- Approval of payments is not sufficient to ensure overall finances are managed

Internal Audit

- Accounts and Audit (Wales) Regulations 2014
 - Regulation 7 council must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control.
- What did auditors look for?
 - Terms of engagement
 - Internal auditor's report

Common errors

- Accounts don't add up
- Annual return has not been filled in completely
 - Empty boxes
 - Council name missing
 - Signatures missing
- Annual return not approved on time due to timing of council meetings

What does this tell us?

- Councils need to understand their legal responsibilities for looking after public funds
- Proper and effective financial management arrangements must be put in place
- Members must provide effective scrutiny of their council's financial affairs and satisfy themselves that they have an effective system of internal audit
- Members must have a clear understanding of the external auditor's role and how they can work with the auditor

How can you prepare?

- Watch out for AGW's annual report setting out themes for following financial year
- Review your arrangements for highlighted areas
 - Do you meet statutory requirements?
 - Do you comply with best practice?
 - If arrangements are in place, do you follow them?
- Watch out for AGW's annual report setting out themes for following financial year
- Measure current arrangements v Practitioners' Guide and WAO GPX

Support arrangements

- General questions on issues around requirements
 - One Voice Wales
 - Practitioners' Guide
- Queries on auditor requirements
 - Contact your external auditor
- Queries on fees
 - Contact your external auditor
- Complaints
 - Contact your auditor in first instance
 - WAO if not happy with response
 - See WAO complaints leaflet

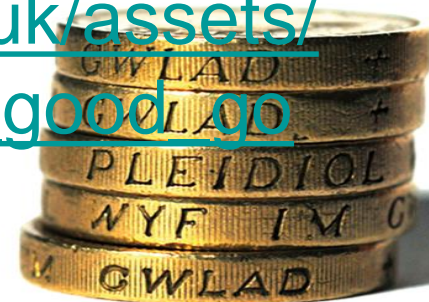
Resources

Auditor General

Annual reports

- Financial Management and Governance 2011-12 – 2015-16 audits
<http://www.audit.wales/publication/financial-management-and-governance-community-councils-2015-16>
- Good Governance – Good Practice report
https://www.webarchive.org.uk/wayback/archive/20120605002523/http://www.wao.gov.uk/assets/englishdocuments/Community_councils_good_governance_eng.pdf

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Resources

Wales Audit Office

Good Practice Exchange (GPX)

- Community Council Money
<http://www.audit.wales/good-practice/finance/community-council-money>
- Financial management and Governance
<https://www.wao.gov.uk/events/financial-management-and-governance-local-councils>



Resources

Wales Audit Office

Good Practice Exchange (GPX)

- Risk management

<https://www.wao.gov.uk/events/risk-management-shared-learning-webinar>

- Land and asset transfer

<https://www.wao.gov.uk/events/land-and-asset-transfer>



Resources Other

- Good governance standard for public services
<http://www.cipfa.org/policy-and-guidance/reports/good-governance-standard-for-public-services>

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